

**Small & Medium Agency
Chief Financial Officers Meeting Minutes**
January 18, 2011

PARTICIPANTS:

Megan Darian, ADA/State Boards Office
Biju Kamalesawaran, AGA
Pam Rezek, AGA
Julie McKnight, AUA
Tracy Schmidt, HDA
?, ICA
Ken Bell, JCA
Keith Falstrom, LDA
Esther Olivas, MIA
Sandra Mengelkoch, PRA
Brett Larson, STA
Patricia Sandino, TEA
Marcia West, TOA
Clark Partridge, ADA/GAO
Mike Smarik, ADA/GAO
Angela Dillard, ADA/GAO
Joanna Greenaway, ADA/GAO
Anita Kleinman, ADA/GAO
Tami Eckloff, ADA/GAO
Jaimie Soulvie, ADA/GAO
Stu Wilbur, ADA/GAO
Amy Aeppli, ADA/GAO
Jennifer Verhelst, ADA/GAO

ITEMS COVERED

Clark Partridge – Welcome & Introductions

Federal Offsets – Anita Kleinman

Some State agencies have had their federal funds offset due to the debt that the State owed the federal government. The feds have agreed there is an overpayment by the State, but the feds still have not credited us the entire amount of the overage paid. We are working with OSPB to calculate how this overpayment will be applied. We still have two small offsets that have not been claimed. Please make sure you are talking with your program people to reconcile and make sure everything requested has been received.

Any differences should be caught in the reconciliation process. Please notify us if the shortages belong to your agency.

Federal Financial Accountability and Transparency Act (FFATA) – Anita Kleinman

A Technical Bulletin has been released with the requirements for FFATA reporting. As new grant requests come in, we are following up with the agencies to see if the new grant is reportable on the Federal Transparency Website. If you have questions or issues related to the reporting requirements, let us know. We are going to try to coordinate answers on some of the issues. We have been instructed to report on new awards after October 1, 2010. We are hearing of federal agencies instructing state agencies to report on older grants.

DUNS Cleanup Process – Anita Kleinman

As part of FFATA, there should only be one DUNS number per state agency unless there is a business reason to have more than one. You should be communicating with GAO any instances where you feel your agency needs more than one DUNS number. We are trying to align AFIS with the awards and capture the correct information. The DUNS numbers are reported to the feds as part of the Single Audit. Currently in our DUNS tree there are 938 different DUNS numbers that the staff from the Auditor General's Office has to hand key into the report. They are trying to reduce the number.

The DUNS number clean up is not just on the accounting side. It is also when you apply for the grants. You need to look at the grant application process and make sure at the time of application that the correct DUNS number is being used. There are some agencies that have multiple numbers because an agency staff person didn't know the agency had a number so they went ahead and applied for a new one.

Q: How do we make sure the DUNS number we were given is the correct one to be using?

A: You can call us and we can tell you which DUNS number we are using.

Q: It isn't something we can look up?

A: You can look on the D53 screen. Type in DUN1 and it will list different numbers.

Q: Who do we call?

A: The federal group, Amanda Compton at 602-542-5611 or email federalgrants@azdoa.gov.

Q: I thought there was only one number for the entire state. I thought the number we were given to use was the number for the entire state.

A: The DUNS number is for notification identifying who are things routed to if there is a question or an issue.

Fund Sweeps – Anita Kleinman

We would like to have the fund sweeps for fiscal year 2011 completed over the next couple of months. Initially some agencies reported they would like to pay in May or June. We need to know earlier than May or June if the cash is not going to be available to process the sweep. You will be contacted by your AFIS Liaison to see if there is any way we can accelerate the processing of the sweep.

Office of Foreign Asset Control (OFAC) – Angela Dillard

Our entire vendor file including all mail codes was matched up against the OFAC databases. We are using Lexis Nexus as our vendor for this match up. The vendor charges us per “hit” or match. We had 2,000 hits out of 50,000 + vendors. Some of the hits were duplicated because they hit multiple Lexis Nexus databases. Next we will be pursuing matching in house and utilizing the AFIS programmers to conduct comparisons. After further review, out of the 2,000 that were identified, only 12 were potential matches against the terrorist list. 5 of those were inactivated because we could not obtain additional information the remaining 7 were deemed not to be a threat. The 5 that were inactivated may not be a threat, but we could not obtain additional information.

1099s – Angela Dillard

The file has been sent to the vendor for the printing and mailing of the 1099s. There were just over 13,000 this year. They should be mailed to the vendors shortly. If you receive any corrections from the vendors, the GAO-94 form should be submitted. We will evaluate and make corrections if necessary and re-submit information to the IRS by the end of March. We have started an automated daily TIN and name match program. This will hopefully clear up a lot of the potential B-notices for next year.

W2s – Stu Wilbur

46,822 W2s were posted online. Email notifications were sent out last week when the W2s were posted. We did hear back from a few agencies that thought the emails that were being sent were spam or phishing because the subject line as required by the IRS says Important Tax Document. We have followed up on each request from each agency’s IT group letting them know a web story was posted and that it is a legitimate email.

If the email address is bad, we are required to send a letter by US Mail or in person. A number of the email addresses we have in HRIS (on the HR11) are incorrect work email addresses. As we get those emails returned, we will be putting together a mailing letting those people know their W2 is online. Employee email addresses need to be updated on HRIS. Please take a look at the system and verify that email addresses are current for your employees.

Another issue we have found is that some employees do not have their own email address. The address in HRIS is their supervisor’s address. The email was sent to the supervisor’s email, but we cannot tell for sure if the employee received the notice. Please check to make sure your employees have a legitimate email address. It will save on postage for notifications of this type to be sent to employees.

Q: When an employee leaves, is there a place on the personnel action form to update their email address when they leave?

A: At the time the employee consents, they can enter a secondary email address, a personal email address, so when a notice is sent, it is sent to both the work email and the personal email address. Employees have access to YES for four years after separation from State service. They can always log back in and update the personal email address.

As of this morning we have 11,800 employees that have consented to receiving their W2 electronically only. That is about 25% of the employees.

Q: Why do you have to log in the second time to view your W2?

A: It is a separate module from HRIS. To ensure the individual is properly logged in, a second log in must be performed. In the emails that were sent to individuals, there is a link in the email that sends the user straight to the W2 area instead of going through YES.

January 24 at 8:00 a.m. will be the day and time that we will cut off for consents. We need to get the file to the vendor to print the W2s for everyone that has not consented for electronic only.

Employee Reimbursements Payments to Employees – All thru HRIS – Stu Wilbur

Reimbursement capability was in the system just in time for the first pay of the new calendar year. We have not updated ZR251-AFIS Balancing Reports yet. We need to expand the range of Accounts/COBJ to show the employee reimbursement amounts. We are currently working on resolving that issue, but please let us know if you experience any other problems.

State Transparency Project – Joanna Greenaway

The video for the Openbooks.gov website was shown. The video is on the Home page of the website. Its purpose is to be a brief overview of the website, not a navigational tutorial. The navigation of the website is fairly simple. If you have any comments regarding the website, please let us know. We have had agencies tell us they have reconciled to the website and everything is there to the penny. The website is not intended to be a financial data warehouse, but we are hoping that it will become a helpful managerial tool.

We have received some inquiries regarding information on the website. If the inquiries are specific to your agency's information, you will hear from us. We will contact you and let you know the nature of the inquiry and that we have given your agency contact information to the requestor.

Please be aware when you are requesting a new fund setup, whatever name you request, that is the name that will show on the transparency website. Keep in mind whatever financial transactions are processed in AFIS, a month later it will appear on the openbooks.az.gov. We currently have the first three months of fiscal year 2011 on the website, all of 2010 and 2009. We are preparing to load an additional three month of fiscal year 2011. Hopefully by the end of this month we will have all of the 2011 data current through December.

Q: The agency contact information we gave you is not on the site anywhere is it?

A: No.

Q: If we need to update the information, who do we contact?

A: Joanna Greenaway, Joanna.Greenaway@azdoa.gov or Jennifer Verhelst at Jennifer.Verhelst@azdoa.gov.

ARRA Update – Joanna Greenaway

We successfully submitted 498 ARRA reports to federalreporting.gov. We appreciate all of the cooperation from the agencies. The reporting period was very short, but we were able to file the reports on time by the deadline of Monday, January 10, 2011.

We now have a total of **498** awards. In the 3rd quarter the award count was 504. This is the 1st time this number has actually decreased. We are expecting this trend to continue downward as we see more reports marked “final”.

Emphasis on Electronic ACH Payments – Clark Partridge

This item has been on the future agenda items for quite some time. You should look to see if you are paying vendors that can be paid by ACH or the PCard. You can use the PCard as a method of payment. We will be talking to the bank to see if there are opportunities to improve our percentage of payments made by ACH.

A few years ago we only accepted the CCX format so we were limited as to which vendors we could pay by ACH. We have now opened it up to accept the CCD format. Now it should only be a matter of coordinating with the vendor. The coordination may be a little more work, but it will be less work in paper handling. There shouldn't be acceptance issues any more unless the vendor is with a very small bank that does not work with ACH payments at all but those are pretty rare.

Also make sure payables staff is paying vendors via ACH for those that are already setup and accept ACH payments.

Q: Talking about the PCard, you still aren't encouraging the use of the PCard for services? Can we use it for FedEx?

A: We are getting closer to encouraging the PCard for services but we are not there yet. Yes you can use the PCard for FedEx, Staples, etc.

With 3% Withhold coming there will be some opportunities to use the PCard and potentially incentives for vendors to use the PCard. The feds are still figuring out how to handle the 3% Withhold and the PCard. They have said for the first 18 months, if you use the PCard for payment, you do not have to deal with withholding.

Regarding 3% Withhold, we are still waiting for the final regulations from the feds. We cannot finalize our procedures and programming until we receive the final federal regs. We will be posting information on the GAO website to let vendors know this is coming January 1, 2012. We would also encourage agencies to communicate to their vendors that this program is coming. We would also like to communicate the idea of accepting the PCard if the vendor does not do so already.

Q: This is on anything that we pay a vendor for?

A: Not anything, it is for everything that is not already specifically exempted for a payment \$10,000 or more. We will have to look at some policy changes regarding the PCard to allow for larger payments. You cannot split up a payment to a vendor for an order so that each payment comes in under the \$10,000 minimum.

Q: Is it by invoice? Or just total payment?

A: It is by the payment. If you place an order and the payment on your order is over \$10,000, 3% of the payment will be held.

The other thing to look at is when was the contract established? We are establishing additional fields in AFIS to record the date of the contract. The 3% withhold will apply to some of the newer contracts. There will be a phase in for this program. We are going to streamline the best we can with AFIS. We will be coordinating with the agencies and reaching out to the vendor community. This item will be an ongoing item for all the CFO Meetings from now until next January.

Q: It is contract vendors only?

A: It is all payments except for payments to other governments, non profits that are tax exempt and payments to individuals for assistance. If it is a grant to a vendor who you are contracted with, you could still potentially have the 3% withhold. The regulations still need to be finalized. This program covers all payments except those that are specifically exempted.

If we are not sure of the type of the payment or the recipient, we will be following the plan of other states and when in doubt, withholding.

Q: So we submit the payment in AFIS?

A: Correct and the system will do the 3% withholding and GAO will do the tax reporting to the feds.

Q: And then we get a warrant for an amount less than what we put in?

A: Yes, the vendor will get a warrant for less than what the claim amount entered into AFIS. This will be true for an ACH payment also. Ideally the CTX or CCD record will show how much was paid, how much was withheld for the 3% withhold, the net and what the payment is for.

Q: It is not effective right now though?

A: It is not effective until January 1, 2012. We cannot flip the switch right at the end. It is a very complex and difficult project. There is a lot of programming, communication and coordination that must be done but we still do not have the final regs.

Vendors will have to do some planning & programming in their systems to accommodate this program so that they show that they were paid in full less the 3% and they do not continue to bill you for something even though 3% of their payment went to the feds. This will be different billing for vendors doing business with governments as opposed to vendors doing business with the private sector.

Q: When was the 3% Withhold originally supposed to go into effect?

A: This issue has been out there since 2004 or 2005 when the law was originally passed. The latest update was with ARRA. We were hoping for a repeal but instead it was only postponed for a year from 2011 to 2012. Originally it was supposed to go into effect in 2006 or so.

Congress has passed the law as one of the ways to balance the budget. It was put in and it cannot be repealed unless it is replaced with other revenues. There has been discussion that the estimates on the revenue that will be generated will actually be less than the number that is built into the budget. It also does not take into account what it will cost the feds to put this program into place. It will capture those that are currently not paying their taxes.

Q: Are there really people getting payments of over \$10,000 that are not paying their taxes?

A: There could be and the 3% Withhold will now bring in extra revenue from those people.

NSF & Favorable/ Unfavorable Deposits Cleanup Project – Clark Partridge

Reminder this is an ongoing project. If you have issues, they need to be taken care of.

Internal Controls – Clark Partridge

This is a large topic to take on all at once. Instead we are going to highlight pieces each month. For example, we would like you to review your reconciliation process. We suggest you go back and check to make sure that:

- A) The reconciliations are being done
- B) And they are being done effectively and efficiently.

One thing to watch for, make sure you are doing a complete reconciliation. The Internal Audit group has found agencies reconciling to the Treasurer's information, but not reconciling to their internal system. For example entries being made on an internal licensing system, but never reconciled to the cash deposited to make sure all the entries on the licensing system were indeed deposited.

The Internal Audit group has also seen revolving funds not being reconciled. There were fraudulent checks clearing through a revolving fund that the agency was not catching because they had not looked at it for months. The agency was lucky in the fact that the fraudulent items were within the last 30 days so they could put a claim in with their bank.

Another example is reconciliations of revenues and expenditures are done, but cash is not reconciled. There are transactions that hit cash that are not revenue or expenditures. Make sure all items are being reconciled and they are complete, accurate and reviewed. We understand resources are tight but make sure these things are being done. If you are having issues, let us know and we can assist you to make sure things are being done efficiently and effectively.

AGA Pilot – Clark Partridge

We are trying to leverage efficient tools to mitigate risk. The Association of Governmental Accountants (AGA) is submitting for a grant from the feds. The feds have money from Congress for innovation. They are trying to look at things that are cross sectional between federal, state and local governments to see if they can find ways to improve the federal grant process.

One of the items developed in connection with ARRA by the Recovery, Accountability and Transparency Board was a database that identifies people that do transactions with government that are not good people. They are not necessarily terrorists on the terrorist watch list, but they could be someone that receives money from a federal program but they do not file their tax return, or they say they paid Davis Bacon wages when they really don't, or there are grant compliance issues. How do we now take this information and utilize it? How do we "ping" against this information much like the OFAC information?

Some programs that we have that may have potential issues but are probably too large of programs (like the food stamp or SNAP program, the Title XIX payments, the AHCCCS Medicaid type payments) for a pilot. So we are looking for programs that operate similar to these but aren't as large as those programs. We have talked to HUD

and Transportation about the possibility of programs from their agencies, they don't really have anything. It may be that we end up coming back around to SNAP or Title XIX. If you think you have something that may be a good consideration for a pilot, let us know. It would really help you with improper payments, which you have responsibility to test for.

NASC Conference – Clark Partridge

The National Association of State Comptrollers (NASC) will be having their annual conference in Phoenix this year. It will be held March 23 – 25, 2011. We would like to extend an invitation to you as CFOs to attend the conference. It is good quality CPE. It is specifically tailored to State Comptrollers but many of the concepts and principles are relevant to State CFOs as well. The rough outline of the technical portion of the conference will be posted online.

http://www.nasact.org/conferences_training/nasc/conferences/AnnualConferences/2011AnnualConference/agenda.pdf

There are some portions you will not be able to attend such as the business meeting but the majority of it you will. It will be 8 hours or so of CPE on Wednesday, about 6 hours of CPE on Thursday and another 4 hours on Friday morning. If you have any questions regarding the conference, give Clark a call. The conference will be held at: Embassy Suites Hotel
4415 E. Paradise Valley Parkway South in Phoenix (Paradise Valley Mall area).

Agency Needs – Clark Partridge

If there is anything you need help with or questions you have, please let us know.

Any other Questions or Concerns?

Q: Has anyone had to deal with Travel Card balance write offs for those employees that have been terminated but have not paid their balance off regarding the liability waiver?

A: We are working on a policy on that topic that should make things more clear and an associated form to fill out.

Q: We have been going back and forth with US Bank about the issue. They want us to identify every charge. It is difficult because the employee may have been reimbursed for all the charges, but they didn't pay the entire balance due. They are asking us to go back three months and identify every transaction and the amounts reimbursed to identify the amount the insurance should cover.

A: Certainly they do not want to pay for non reimbursable transactions. If the transaction has been approved for reimbursement and we have done the reimbursement and the employee just has not paid the bill. We have already done our side.

Q: On the insurance waiver form, you have to identify which charges we have reimbursed. We do not know which individual charges we have reimbursed. Looking at the dates we can assume its part of the travel claim but we don't know if they were actually claiming that cost. It might have been something put on the card during their travel that was a meal or something that wasn't claimed. We don't know if each particular transaction is one that they claimed. They may have stopped and gotten a beverage during their travel and used the card since it is a personal liability card but they didn't put it in on their claim and we didn't reimburse it.

A: Have you tried running a total of everything reimbursed vs. all the charges charged on the card as of a specific point and time and the remainder would not be the State's responsibility?

Q: I tried doing that but they were paying \$50 per month on the balance on the card.

A: There isn't a lot of linkage between what the current bill is and what was reimbursed, and when they incurred the travel charges.

If an employee gets into a pattern where they are only making partial payments on their travel card, it is probably time to say the card is not a good idea for the employee to have the card.

Q: The card had been inactivated and the employee was making payments on the card but once they were terminated, the employee stopped making payments on the balance due.

A: We had a situation where an employee had a balance of \$4,000 - \$5,000 and had not used their card for travel for a long time but had a large balance of other things. They started to not pay it off monthly. If the employee is not traveling, why is there such a high available balance? Lower the available balance to \$50 or \$100, something for emergencies to do what they need to do. If someone needs to hop on an airplane quickly, there are options to handle that. Temporary credit line increases are also available.

Q: The balance that we are dealing with is \$125. It is not a huge balance for all the work they want us to do.

A: If the employee has the travel card, they should be paying it off. If they are not using it for things other than travel, they should be reimbursed and then pay the balance off. It may be a situation where the meal was the \$35 and the State only reimburses \$29. They still should be paying the balance off.

We have had the conversation with US Bank to see if there is an efficient and effective way to deal with this situation. Their response is the State of Arizona is lucky we have the insurance that was negotiated in the contract. But we may have to go through a little bit of pain to get the information they want to cut our losses.

Q: Can you elaborate on the fund sweeps? How are they going to come into play?

A: A web story was posted and there was a requirement to submit a fund sweep questionnaire if it was a new fund that has not been swept previously. At the beginning of the fiscal year, we were trying to identify when those payments would be coming in to report to JLBC. We are now following up on those questionnaires checking on cash flow to process the sweep. Some agencies were unsure what their cash flow would be and that they would look at it at the end of the year. We cannot push everything to the end of the year. Someone will be contacting you to discuss your sweep if it has not already been made.

Q: Do you know how soon we will be contacted?

A: In the next couple of weeks. Agencies should be contacted by sometime in February so we can have an idea of where things stand.

Q: They may have already started. I think we have received one phone call.

A: They may have. This process has been ongoing. We just want to formalize and let you know we are going to start giving a bigger push. We started on this before the fiscal year even started.

We will have a web story going out with a clarification on how funds sweeps from funds not subject to Legislative appropriation will be handled and/or corrected. The way it was being handled made it very difficult to reconcile for the Annual Financial Report (AFR). We will make the correction but wanted to let you know so we won't have the problem with this year's AFR.

Q: For sweeps that were done from funds that are both appropriated and non-appropriated, the fund sweep was coming out of the appropriated portion, they took the cash but not the appropriation. Is that one of the corrections? We have one where the cash was swept but the appropriation wasn't.

A: Was it the personnel sweep?

Q: Yes.

A: If the fund is non-appropriated, then it didn't hit an appropriation. But you have a combination fund that was hit?

Q: The FTEs are out of the appropriated side of the fund but the appropriation was never hit.

A: That one will be flagged and we will look at it. It is probably part of the corrections.

The intent is to take both the cash and the appropriation. But some of them are taking just the cash, beginning cash and leave you with your appropriation to be able to operate. That still doesn't mean that you will necessarily have enough cash to cover your appropriation.

You can set a budget control on AFIS and make it fatal so you do not overspend.

Future Agenda Items

Emphasis on Electronic ACH Payments

NSF & Favorable/ Unfavorable Deposits Cleanup Project

3% Withhold

If you have any questions or concerns, please contact the GAO.

Meeting adjourned at 3:25 p.m.

The next meeting is scheduled for Tuesday, February 15, 2011, at 2:00 p.m. in the General Accounting Office.